

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD

Registration Number: 2006/032665/07

ANNUAL FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2012**

I am responsible for the preparation of these annual financial statements, which are set out on pages 3 to 33, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipal Entity.

Z S GUMEDE
ACTING CHIEF EXECUTIVE OFFICER

Date

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD

GENERAL INFORMATION

REGISTRATION NUMBER:
2006/032665/07

EXTERNAL AUDITORS:
Auditor General

BANKERS:
ABSA

POSTAL ADDRESS:
P O Box 593
Ballito
4420

PHYSICAL ADDRESS:
Sangweni Tourism Centre
Cnr. Ballito Drive and Link Road
Ballito

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ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD

REPORT

In terms of section 30(3) of the Companies Act, 2008, the following report is submitted for the year ended 30 June 2012.

GENERAL REVIEW

The entity was incorporated on 27 October 2008 and replaced the Ilembe Development Foundation which was incorporated on 8 November 2002 and commenced business operations on 1 July 2006. The change was necessary to comply with Section 93 of the Municipal Systems Act. Subject to this there has been no material change in the nature or conduct of the entity's business during the period under review. The financial statements adequately disclose the results of the operations for the period under review and the state of the entity's affairs at 30 June 2012.

There has been no material fact or occurrence since the end of the period under review on which we consider it necessary to report.

NATURE OF BUSINESS

The entity has been formed as a local development agency of the Ilembe District Municipality to promote economic growth. The entity was formed in terms of the Municipal Systems Act and Municipal Finance Management Act.

SHARE CAPITAL

Issued share capital 100 shares at the value of R1.00 each.

DIVIDENDS

No dividends have been proposed or declared during the year under review, nor are any recommended.

LIST OF DIRECTORS

C M Manci - Chairperson

B N Linda

I Deetlefs

P M Mabaso

R Meer

Z S Gumede (wef 1 May 2012)

J Wiltshire (wef 1 May 2012)

B Pityi (wef 1 May 2012)

Fees for attendance at meetings totalling R523 072 (R418 240 in 2011) were paid during the year under review.

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The directors acknowledge that they are required by the Companies Act to prepare financial statements each year, that fairly present the state of affairs, result and cash flow for the year and that the independent auditors' responsibility is limited to reporting on the financial statements.

It is the responsibility of the directors to ensure that the organisation maintains a system of internal control designed to provide reasonable assurance that the entity's assets are safeguarded against material loss or unauthorised use and that transactions are properly authorised and recorded. The control system includes written accounting and control policies and procedures and clearly drawn lines of accountability and delegation of authority.

All employees are required to maintain the highest ethical and integrity standards in ensuring that the entity's business practices are concluded in a manner, which in all reasonable circumstances, is above reproach. The concept of reasonable assurance recognises that the control procedures should not exceed the expected benefits. The entity maintains its internal control system through management review. Nothing has come to the attention of the directors to indicate any breakdown in the functions of these internal controls during the year, which resulted in any material loss to the entity.

The annual financial statements have been prepared on the going concern basis. The Board of Directors has adopted this basis of accounting after having made enquiries of management and given due consideration to information presented to the Board, including budgets and cash flow projections for the year ahead and key assumptions and accounting policies relating thereto. Accordingly, the Directors have no reason to believe that the entity will not continue as a going concern in the year ahead.

The annual financial statements were submitted to the Auditor General for auditing on 31 August 2012. The annual financial statements will be submitted to the Board of Directors at their meeting on 3 September 2012 and are signed by:

Mr. B N Linda
Chairperson

31 August 2012

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

	Note	2012 R	2011 R
ASSETS			
Current assets		3 908 548	27 659 677
Other debtors	8	100 775	312 225
Value Added Taxation	3	1 865 034	1 663 018
Current investments	9	-	22 167 237
Bank balances and cash	10	1 942 739	3 517 196
Non-current assets		29 257 622	16 162 749
Property, plant and equipment	4	28 200 845	16 162 749
Biological assets	5	1 038 400	-
Intangible assets	6	18 377	-
Total Assets		33 166 170	43 822 426
LIABILITIES			
Current liabilities		9 156 048	28 823 799
Creditors	1	3 130 680	5 243 289
Unspent conditional grants and receipts	2	6 025 368	23 580 510
Total Liabilities		9 156 048	28 823 799
Net Assets		24 010 122	14 998 626
NET ASSETS			
Accumulated surplus		24 010 022	14 998 526
Share Capital held by Municipality	7	100	100
Total Net Assets		24 010 122	14 998 626

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 R	2011 R
REVENUE			
Rental Income	11	211 248	219 784
Interest on investment	12	874 833	1 277 735
Government grants and subsidies	13	31 319 253	29 671 659
Sale of agricultural produce	14	181 598	-
Other income	15	2 349 808	550
Total Revenue		34 936 740	31 169 728
EXPENDITURE			
Employee related costs	16	6 063 352	2 574 397
Directors Fees	17	523 072	418 240
Depreciation	4,5,6	967 475	433 228
Repairs and maintenance	18	105 997	27 663
General expenses	19	5 748 465	4 525 122
Grant expenses	20	13 487 904	11 954 719
Loss on disposal of asset	4	93 091	-
Less: Recharges	21	(1 216 558)	-
Total Expenditure		25 772 798	19 933 369
SURPLUS FOR THE YEAR		9 163 942	11 236 359

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2012

	Shares	<u>Accumulated</u> <u>Surplus/</u> <u>(Deficit)</u>	<u>Total Net</u> <u>Assets</u>
	R	R.	R
Restated balance at 30 June 2010	100	7 261 390	7 261 490
2010/2011			
Restated Surplus for the year	0	11 236 359	11 236 359
Prior year adjustments	0	-3 499 223	-3 499 223
Balance at 30 June 2011	100	14 998 526	14 998 626
Corrections Prior Year Period - Note 28	0	-523 846	-523 846
Restated Balance	100	14 474 680	14 474 780
Surplus for the year	0	9 163 942	9 163 942
Gain fair value of biological assets		371 400	371 400
Balance at 30 June 2012	100	24 010 022	24 010 122

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ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 R	2011 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		29 226 595	27 377 860
Cash paid to suppliers and employees		<u>(39 688 576)</u>	<u>(6 956 896)</u>
Cash generated from operations	23	(10 461 981)	20 420 964
Interest received		874 833	1 277 734
NET CASH FLOWS FROM OPERATING ACTIVITIES		<u>(9 587 148)</u>	<u>21 698 698</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(14 154 545)	(12 987 794)
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(14 154 545)</u>	<u>(12 987 794)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
		-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		<u>(23 741 693)</u>	<u>8 710 904</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		25 684 432	16 973 528
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	24	<u>1 942 739</u>	<u>25 684 432</u>

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012

1 BASIS OF PREPARATION

1.1 STATEMENT OF COMPLIANCE

These annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 BASIS OF MEASUREMENT

The annual financial statements have been prepared on the historical cost basis.

1.3 FUNCTIONAL AND PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipal entity. All financial information has been rounded to the nearest Rand.

1.4 OFFSETTING

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipal entity has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Revenue and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

1.5 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipal entity will continue to operate as a going concern for at least the next 12 months.

1.6 USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future.

1.7 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and principles of GRAP 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.8 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality. Application of all of the GRAP standards noted below will be effective from a date to be announced by the Minister of Finance. The effective dates are currently unknown.

GRAP 18 Segment Reporting - issued February 2011
GRAP 20 Related Party Disclosures - issued June 2011
GRAP 25 Employee Benefits - issued November 2009
GRAP 105 Transfer of Functions Between Entities Under Common Control - issued November 2010
GRAP 106 Transfer of Functions Between Entities Not Under Common Control - issued November 2010
GRAP 107 Mergers - issued November 2010

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipal entity:

GRAP 21 Impairment of Non-cash-generating Assets - effective 01 April 2012
GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers) - effective 01 April 2012
GRAP 24 Presentation of Budget Information in the Financial Statements - effective 01 April 2012
GRAP 26 Impairment of Cash-generating Assets - effective 01 April 2012
GRAP 103 Heritage Assets - effective 01 April 2012
GRAP 104 Financial Instruments - effective 01 April 2012

Nature of impending changes in accounting policy:

GRAP 21 - Non-cash-generating assets are assets other than cash-generating assets. When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired. The municipal entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset. The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

GRAP 23 - Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipal entity.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow.

As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised and recognise an amount equal to that reduction as revenue.

GRAP 24 - The municipal entity is required to present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts is required to be presented separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipal entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where the municipal entity prepares its budget and annual financial statements on a comparable basis, it is required to include the comparison as an additional column in the primary annual financial statements.

Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

GRAP 26 - Cash-generating assets are those assets held by the municipal entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipal entity estimates the recoverable amount of the asset. When estimating the value in use of an asset, a municipal entity should estimate the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and a municipal entity should apply the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

GRAP 103 - Heritage assets are assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset is recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will flow to the municipal entity; and
- the cost or fair value of the asset can be measured reliably.

Heritage assets are recognised at cost unless it is acquired through a non-exchange transaction, in which case it is recognised at its fair value as at the date of acquisition.

The municipal entity has a choice between the cost and revaluation model as accounting policy for subsequent measurement and is required to apply the chosen policy to an entire class of heritage assets.

Heritage assets are subsequently carried at its cost or revalued amount less accumulated impairment. These assets are not depreciated.

GRAP 104 - The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one entity and a financial liability or residual interest in another entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests.

Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument.

Residual interests entitle an entity to a portion of another entity's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

The standard contains further detailed guidance on the initial recognition, measurement and subsequent measurement of financial instruments and mainly distinguished between those financial instruments carried at fair value and those at amortised cost.

Impact on the municipal entity's financial statements once these standards of GRAP are implemented:

GRAP 21 - No material impact is expected. The requirements of GRAP 21 are similar to the requirements of IAS 36 Impairment of assets and IPSAS 21 Impairment of non cash-generating assets.

GRAP 23 - GRAP 23 contains additional guidance on conditions, restrictions and stipulations which may result in revenue being recognised at a different stage as under GAMAP 9.

For conditional grants, a liability will only be recognised if restrictions exist on the use of the resources received and it is required to repay any funds not utilised in accordance with those restrictions, while under GAMAP 9 a liability would be recognised if restrictions existed regardless of the requirement to repay the funds if it is not utilised.

GRAP 24 - Although the municipal entity currently presents budget information in terms of legislation, additional disclosure is required in terms of GRAP 24.

The standard will however not impact the measurement of figures presented in the annual financial statements and will only result in additional detail being disclosed in relation to the budget.

GRAP 26 - No material impact is expected. The requirements of GRAP 26 are similar to the requirements of IAS 36 Impairment of assets and IPSAS 21 Impairment of non cash-generating assets.

GRAP 103 - The municipal entity does not own significant heritage assets and the standard is therefore not expected to have a significant impact on assets.

GRAP 104 - The categorisation of financial instruments will be simplified. Certain financial instruments may be reclassified from the IAS 39 categories and measured at amortised cost rather than fair value or vice versa.

No material impact is expected on the measurement of financial instruments as the measurement basis of the municipal entity's financial instruments is expected to remain unchanged (ie, at amortised cost and at fair value).

2 SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies had been applied consistently during the current and previous reporting period, as set out in note 1.2, been applied.

2.1 PROPERTY, PLANT AND EQUIPMENT

2.1.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipal entity. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipal entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipal entity expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.1.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipal entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.1.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Depreciation commences when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with GRAP 100. Non-current assets held for sale and discontinued operations. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

Heritage assets and land are not depreciated.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the municipal entity will obtain ownership by the end of the lease term.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

The annual depreciation rates are based on the following estimated average asset lives:

Furniture and equipment	7 years
Machinery and equipment	7 years
Computer equipment	5 years
Agriculture PPE	15 years

Projects Under Construction are not depreciated due to the intention to transfer the assets to Special Purpose Vehicles in the near future.

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipal entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.1.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

2.1.5 LEASED ASSETS

Leases in terms of which the municipal entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases. Upon initial recognition of assets leased under finance leases, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

3 BIOLOGICAL ASSETS

3.1 RECOGNITION

Biological assets are fair valued at the end of each accounting period. Biological assets that have not produced crops are valued at cost while in the case where crops are present the value of the crop at the end of the accounting period is taken into account to arrive at the fair value.

4 INTANGIBLE ASSETS

4.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipal entity recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipal entity and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipal entity intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipal entity has the resources to complete the project; and
- it is probable that the municipal entity will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipal entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

4.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software and websites 5 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipal entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

4.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5 HERITAGE ASSETS

5.1 INITIAL RECOGNITION

Heritage assets are assets that are normally held indefinitely for their unique cultural, environmental, historical, natural, scientific, technological or artistic significance for the benefit of future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

Heritage assets are recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the asset will to the municipal entity; and
- the cost or fair value of the asset can be measured reliably.

If the municipal entity holds an asset that might be regarded as a heritage asset, but on initial recognition, the asset does not meet the above recognition criteria because it cannot be measured reliably, relevant and useful information about the heritage asset is disclosed in the notes to the financial statements.

On the date of initial recognition, heritage assets are measured at cost. Where a heritage asset is acquired through a non-exchange transaction, the cost is its fair value as at the date of acquisition.

5.2 SUBSEQUENT MEASUREMENT - COST MODEL

After recognition as an asset, a class of heritage assets are carried at its cost less any accumulated impairment losses.

5.3 DEPRECIATION

Heritage assets are not depreciated. The municipal entity assesses at each reporting date whether there is any indication that a heritage asset may be impaired.

5.4 DERECOGNITION

The carrying amount of a heritage asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amounts of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

6 INVESTMENT PROPERTY

6.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipal entity measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

6.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

7 FINANCIAL INSTRUMENTS

7.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

7.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

7.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

7.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

7.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

7.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipal entity categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

8 FOREIGN CURRENCY TRANSACTION

Transactions in foreign currencies are translated to the functional currency of the municipal entity at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit, except for differences arising on the retranslation of available-for-sale financial instruments, which are recognised in net assets.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

9 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable, if it meets the definition and the recognition criteria of an asset, in the statement of financial position until it is recovered or written off as irrecoverable.

10 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipal Entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable, if it meets the definition and the recognition criteria of an asset, in the statement of financial position until it is recovered or written off as irrecoverable.

11 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable, if it meets the definition and the recognition criteria of an asset, in the statement of financial position until it is recovered or written off as irrecoverable.

12 PROVISIONS

Provisions are recognised when the municipal entity has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipal entity does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipal entity has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken;
- when the plan will be implemented; and

(b) The municipal entity has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

13 LEASES

13.1 MUNICIPAL ENTITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipal entity. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipal entity uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

13.2 MUNICIPAL ENTITY AS LESSOR

Under a finance lease, the municipal entity recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipal entity, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

14 REVENUE

14.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipal entity directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Sale of agriculture produce is recognised on a cash basis.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipal entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

14.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipal entity received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipal entity. Where public contributions have been received but the municipal entity has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipal entity.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

14.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

15 VALUE ADDED TAX (VAT)

The municipal entity accounts for VAT on the invoice basis. The municipal entity is liable to account VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes. The municipal entity accounts for VAT on a bi-monthly basis.

16 INCOME TAX

As a registered company the municipal entity is registered for income tax. However due to the entity being a municipal entity it is exempt from income tax.

17 RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control; or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

18 EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

19 CAPITAL COMMITMENTS

Items are classified as commitments where the municipal entity commits itself to future transactions that will normally result in the outflow of resources. Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes of the annual financial statements.

20 IMPAIRMENT OF ASSETS

The municipal entity assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipal entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipal entity also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipal entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
1. CREDITORS		
Trade creditors	141 074	3 991 486
Accruals Lease Expenses	104 936	46 309
Ilembe District Municipality	2 500 000	1 050 034
Staff leave	243 937	155 460
Other creditors	140 733	-
Total Creditors	<u><u>3 130 680</u></u>	<u><u>5 243 289</u></u>

2. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Conditional Grants from other spheres of Government

Agri Processing Ex DCGTA	-	5 354 927
Disaster Management	55 318	55 318
Broadband Project Ex DCGTA	-	2 369 200
Biodiesel Production Facility Ex DCGTA	-	2 184 800
North Coast Wine Project Ex DCGTA	2 772 721	8 441 656
Amacambini Dev Project Ex DCGTA	757 666	757 666
Integrated Craft Hub	231 252	321 664
Siza water Concession	947 858	498 246
Maphumulo Small Town Rehabilitation	85 965	85 965
Nonoti Beach Resort Bussiness Plan	49 123	49 123
Moringa Tree Plantation	12 514	3 461 947
Fresh Produce Market	278 049	-
RIDS Grant	200 000	-
IDC Projects Grant	634 902	-
Total Conditional Grants and Receipts	<u><u>6 025 368</u></u>	<u><u>23 580 510</u></u>

See Note 19 for reconciliation of grants from other spheres of government. These amounts are invested until utilised.

3. VALUE ADDED TAXATION

<u><u>1 865 034</u></u>	<u><u>1 663 018</u></u>
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VAT is receivable on the payments basis. VAT is receivable from SARS only once payment is made to the creditor.

4. PROPERTY, PLANT & EQUIPMENT

30 June 2012

Reconciliation of Carrying Value	Improvements	PPE Agriculture	Projects under construction	Furniture and Equipment	Computer Equipment	Total
	R		R	R	R	R
Carrying Values at 1 July 2011	27 159	9 511 083	6 073 412	443 668	107 427	16 162 749
Cost	27 159	9 874 779	6 073 412	521 962	137 961	16 635 273
Accumulated depreciation	-	(363 696)	-	(78 294)	(30 534)	(472 524)
Acquisitions	-	4 596 419	8 355 137	80 354	68 664	13 100 574
Transfers	22 595	-	-	(3 869)	(28 815)	(10 089)
Less Disposals	-	-	-	(135 114)	-	(135 114)
Less Accumulated Depreciation on Disposals	-	-	-	42 023	-	42 023
Depreciation	(1 634)	(862 213)	-	(70 023)	(29 308)	(963 178)
Prior year adjustments	-	-	-	-	-	-
Prior year adjustment depreciation	(722)	-	-	(2 909)	7 510	3 879
Carrying Values at 30 June 2012	47 398	13 245 289	14 428 549	354 130	125 478	28 200 845
Cost	49 754	14 471 198	14 428 549	463 333	177 810	29 590 644
Accumulated depreciation	(2 356)	(1 225 909)	-	(109 203)	(52 332)	(1 389 800)

30 June 2011

Reconciliation of Carrying Value	Improvements	PPE Agriculture	Projects under construction	Furniture and Equipment	Computer Equipment	Total
	R		R	R	R	R
Carrying Values at 1 July 2010	-	-	6 768 042	325 803	88 277	7 182 122
Cost	-	-	6 768 042	345 433	94 714	7 208 189
Accumulated depreciation	-	-	-	(19 630)	(6 437)	(26 067)
Acquisitions	27 159	6 667 447	6 073 412	176 529	43 247	12 987 794
Transfers	-	-	-	-	-	-
Less: Disposals	-	-	-	-	-	-
Less: Accumulated Depreciation on Disposals	-	-	-	-	-	-
Depreciation	-	(350 467)	-	(58 664)	(24 097)	(433 228)
Prior year adjustments	-	3 207 332	(6 768 042)	-	-	(3 560 710)
Prior year adjustment depreciation	-	(13 229)	-	-	-	(13 229)
Carrying Values at 30 June 2011	27 159	9 511 083	6 073 412	443 668	107 427	16 162 749
Cost	27 159	9 874 779	6 073 412	521 962	137 961	16 635 273
Accumulated depreciation	-	(363 696)	-	(78 294)	(30 534)	(472 524)

2 012
R

2 011
R

5. BIOLOGICAL ASSETS

Carrying Value at 30 June 2011

Cost	-	-
Accumulated depreciation	-	-

Acquisitions

1 038 400

Transfers

-

Depreciation

-

Prior year adjustment depreciation

-

Carrying Value at 30 June 2012

1 038 400

Cost	1 038 400	-
Accumulated depreciation	-	-

6. INTANGIBLE ASSETS

Carrying Value at 30 June 2011

Cost	-	-
Accumulated depreciation	-	-

Acquisitions

15 571

Transfers

10 089

Depreciation

(4 297)

Prior year adjustment depreciation

(2 986)

Carrying Value at 30 June 2012

18 377

Cost	25 660	-
Accumulated depreciation	(7 283)	-

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
7 ISSUED SHARE CAPITAL		
Name of company		
Ilembe District Municipality		
Carrying amount	100	100
% Holding	100%	100%
Ordinary Shares: 100 @ R1 each		
8. OTHER DEBTORS		
Other debtors		
Ilembe District Municipality	74 425	224 142
Operating Lease Assets	-	61 733
Deposits: Coastal Farmers	20 000	20 000
Eskom	6 350	6 350
Total Other Debtors	100 775	312 225
9. CURRENT INVESTMENTS		
<u>ACCOUNT DESCRIPTION - Investments (MFMA requirement)</u>		
Investment Current Account		
<i>Investec: Sandton Branch,</i>		
<i>Account Number 50004108608</i>		
Bank statement balance at the beginning of the year	22 167 237	14 772 244
Bank statement balance at the end of the year	-	22 167 237
TOTAL CURRENT INVESTMENTS	-	22 167 237

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
10. BANK BALANCES AND CASH		
<u>ACCOUNT DESCRIPTION</u>		
Main bank account		
<i>ABSA - Business Centre KwaZulu Natal</i>		
<i>Account Number 40-6036-2852: Current Account</i>		
Cash book balance at the beginning of the year	3 515 196	2 199 284
Cash book balance at the end of the year	1 776 337	3 515 196
Bank statement balance at the beginning of the year	3 515 196	2 199 284
Bank statement balance at the end of the year	1 776 337	3 515 196
Produce bank account		
<i>ABSA - Public Sector KwaZulu Natal</i>		
<i>Account Number 40-7867-9825: Current Account</i>		
Cash book balance at the beginning of the year	-	-
Cash book balance at the end of the year	17 969	-
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	17 969	-
Rocabex - Trust Bank Account		
<i>First National Bank Account - Kloof Branch</i>		
<i>Account Number 62347813471: Current Account</i>		
Cash book balance at the beginning of the year	-	-
Cash book balance at the end of the year	145 829	-
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	145 829	-
Rocablox - Trust Bank Account		
<i>First National Bank Account - Kloof Branch</i>		
<i>Account Number 62347809272: Current Account</i>		
Cash book balance at the beginning of the year	-	-
Cash book balance at the end of the year	302	-
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	302	-
Rocabix - Trust Bank Account		
<i>First National Bank Account - Kloof Branch</i>		
<i>Account Number 62347811954: Current Account</i>		
Cash book balance at the beginning of the year	-	-
Cash book balance at the end of the year	302	-
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	302	-
Petty cash and cash on hand	2 000	2 000
TOTAL BANK BALANCES AND CASH:		
Cash book balance at the end of the year	1 940 437	3 515 196
Bank statement balance at the end of the year	1 940 739	3 515 196
Petty cash and cash on hand	2 000	2 000
	1 942 739	3 517 196

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
11. RENTAL INCOME OF FACILITIES		
Rental of Buildings	211 248	219 784
Total Rental Income	<u><u>211 248</u></u>	<u><u>219 784</u></u>
The entity is the lessor of an office property. The lease was negotiated for a term of five years.		
12. INTEREST ON INVESTMENTS		
Bank	25 475	78 038
Call investments	849 358	1 199 697
	<u><u>874 833</u></u>	<u><u>1 277 735</u></u>
13. GOVERNMENT GRANTS AND SUBSIDIES		
Salaries Ex IDC	2 810 000	2 120 259
Agricultural Hub Ex IDC	-	622 079
Industrial Development Strategy Ex IDC	-	186 624
Broadband Project Ex IDC	-	186 623
North Coast Wine Project Ex IDC	-	182 477
Ilembe District Municipality - LED	1 600 000	1 617 317
Ilembe District Municipality - Tourism	900 000	963 018
Agri Processing Ex DCGTA	5 354 927	9 663 286
Disaster Management	-	237 614
Broadband Project Ex DCGTA	2 222 058	3 092 696
Biodiesel Production Facility Ex DCGTA	2 184 800	3 299 980
North Coast Wine Project Ex DCGTA	5 159 405	3 229 793
Amacambini Dev Project Ex DCGTA	-	198 255
Integrated Craft Hub	87 056	5 484
Nonoti Beach Resort Business Plan	877 193	350 877
Maphumulo Small Town Regeneration	-	614 035
Moringa Tree Plantation	3 026 069	38 053
Siza Water Concession	842 105	701 754
Fresh Produce Market	133 290	-
Projects Ex IDC	1 895 350	-
Operational Ex IDM	3 227 000	2 163 171
Other Ex IDM	1 000 000	198 263
Total Government Grant and Subsidies	<u><u>31 319 253</u></u>	<u><u>29 671 659</u></u>
13.1 Grant Salaries Ex IDC		
Balance unspent at beginning of year	-	809 746
Current year receipts	2 810 000	1 310 513
Conditions met – transferred to revenue	(2 810 000)	(2 120 259)
Conditions met	<u><u>-</u></u>	<u><u>-</u></u>
13.2 Grant Agricultural Hub Ex IDC		
Balance unspent at beginning of year	-	-
Current year receipts	-	622 079
Conditions met – transferred to revenue	-	(622 079)
Conditions met	<u><u>-</u></u>	<u><u>-</u></u>

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
13. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
13.3 Grant Industrial Development Strategy Ex IDC		
Balance unspent at beginning of year	-	-
Current year receipts	-	186 624
Conditions met - transferred to revenue	-	(186 624)
Conditions met.	<u>-</u>	<u>-</u>
13.4 Grant Broadband Project Ex IDC		
Balance unspent at beginning of year	-	-
Current year receipts	-	186 623
Transferred to revenue - no further conditions to be met	-	(186 623)
Conditions met	<u>-</u>	<u>-</u>
13.5 Grant North Coast Wine Project Ex IDC		
Balance unspent at beginning of year	-	-
Current year receipts	-	182 477
Conditions met - transferred to revenue	-	(182 477)
Conditions met.	<u>-</u>	<u>-</u>
13.6 Grant Ilembe District Municipality - LED		
Balance unspent at beginning of year	-	117 317
Current year receipts	1 600 000	1 500 000
Conditions met - transferred to revenue	(1 600 000)	(1 617 317)
Conditions met.	<u>-</u>	<u>-</u>
13.7 Grant Ilembe District Municipality - Tourism		
Balance unspent at beginning of year	-	163 018
Current year receipts	900 000	800 000
Transferred to revenue - no further conditions to be met	(900 000)	(963 018)
Conditions met	<u>-</u>	<u>-</u>
13.8 Grant Agri Processing Ex DCGTA		
Balance unspent at beginning of year	5 354 927	4 018 213
Current year receipts	-	11 000 000
Conditions met - transferred to revenue	(5 354 927)	(9 663 286)
Conditions met.	<u>-</u>	<u>5 354 927</u>
13.9 Grant Disaster Management		
Balance unspent at beginning of year	55 318	292 932
Current year receipts	-	-
Conditions met - transferred to revenue	-	(237 614)
Conditions still to be met-transferred to liabilities (refer to Note 2)	<u>55 318</u>	<u>55 318</u>

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
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	2012 R	2011 R
13. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
13.10 Grant Broadband Project Ex DCGTA		
Balance unspent at beginning of year	2 369 200	2 961 896
Current year receipts	-	2 500 000
Conditions met - transferred to revenue	(2 222 058)	(3 092 696)
Adjustments and Transfers	(147 142)	-
Conditions met.	<u>-</u>	<u>2 369 200</u>
13.11 Grant Biodiesel Production Facility Ex DCGTA		
Balance unspent at beginning of year	2 184 800	1 568 780
Current year receipts	-	3 916 000
Conditions met - transferred to revenue	(2 184 800)	(3 299 980)
Conditions met.	<u>-</u>	<u>2 184 800</u>
13.12 Grant North Coast Wine Project Ex DCGTA		
Balance unspent at beginning of year	8 441 656	2 671 449
Current year receipts	-	9 000 000
Conditions met - transferred to revenue	(5 159 405)	(3 229 793)
Adjustments and Transfers	(509 529)	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	<u>2 772 722</u>	<u>8 441 656</u>
13.13 Grant Amacambini Dev Project Ex DCGTA		
Balance unspent at beginning of year	757 666	955 921
Current year receipts	-	-
Conditions met - transferred to revenue	-	(198 255)
Conditions still to be met-transferred to liabilities (refer to Note 2)	<u>757 666</u>	<u>757 666</u>
13.14 Grant Integrated Craft Hub		
Balance unspent at beginning of year	321 664	327 148
Current year receipts	-	-
Transferred to revenue - no further conditions to be met	(87 056)	(5 484)
Adjustments and Transfers	(3 355)	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	<u>231 253</u>	<u>321 664</u>
13.15 Grant Nonoti Beach Resort Business Plan		
Balance unspent at beginning of year	49 123	-
Current year receipts	1 000 000	400 000
Conditions met - transferred to revenue	(877 193)	(350 877)
Adjustments and Transfers	(122 807)	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	<u>49 123</u>	<u>49 123</u>
13.16 Grant Maphumulo Small Town Regeneration		

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	2012 R	2011 R
Balance unspent at beginning of year	85 965	-
Current year receipts	-	700 000
Conditions met - transferred to revenue	-	(614 035)
Conditions still to be met-transferred to liabilities (refer to Note 2)	<u>85 965</u>	<u>85 965</u>
13. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
13.17 Grant Moringa Tree Plantation		
Balance unspent at beginning of year	3 461 947	-
Current year receipts	-	3 500 000
Conditions met - transferred to revenue	(3 026 069)	(38 053)
Adjustments and Transfers	(423 363)	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	<u>12 515</u>	<u>3 461 947</u>
13.18 Grant Siza Water Concession		
Balance unspent at beginning of year	498 246	-
Current year receipts	1 409 612	1 200 000
Conditions met - transferred to revenue	(842 105)	(701 754)
Adjustments and Transfers	(117 895)	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	<u>947 858</u>	<u>498 246</u>
13.19 North Urban Development Plan		
Balance unspent at beginning of year	-	-
Current year receipts	2 500 000	-
Conditions met - transferred to revenue	-	-
Adjustments and Transfers	(2 500 000)	-
Conditions met.	<u>-</u>	<u>-</u>
13.20 Fresh Produce Market		
Balance unspent at beginning of year	-	-
Current year receipts	500 000	-
Conditions met - transferred to revenue	(133 290)	-
Adjustments and Transfers	(88 661)	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	<u>278 049</u>	<u>-</u>
13.21 RIDS Grant Marketing		
Balance unspent at beginning of year	-	-
Current year receipts	200 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	<u>200 000</u>	<u>-</u>
13.22 Projects Ex IDC		
Balance unspent at beginning of year	-	-
Current year receipts	2 650 000	-
Conditions met - transferred to revenue	(1 895 350)	-
Adjustments and Transfers	(119 748)	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	<u>634 902</u>	<u>-</u>

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
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	2012 R	2011 R
14. SALE OF AGRICULTURAL PRODUCE		
Tomatoes	59 066	-
Cucumbers	27 160	-
Peppers	70 815	-
Patty Pan	12 071	-
Baby Marrows	12 486	-
	181 598	-
15. OTHER INCOME		
Included in other income is the following: -		
Other Grants Ilembe District Municipality	600 000	-
Tender documents	5 900	-
VAT Refunds on Grants	1 545 050	-
Other income	198 858	550
	2 349 808	550
16. EMPLOYEE RELATED COSTS		
Employee related costs - salaries and wages	4 902 917	2 553 695
UIF	88 781	20 702
Car and other allowances	1 071 654	-
	6 063 352	2 574 397
Included in the employee related costs are the following:		
<i>Remuneration of the Chief Executive Officer</i>		
Annual Remuneration	1 190 128	519 750
Car Allowance	151 250	205 613
Other	107 296	-
Total	1 448 674	725 363
<i>Remuneration of the Chief Finance Officer</i>		
Annual Remuneration	721 979	67 083
Car Allowance	55 000	-
Other	29 534	-
Contributions to UIF, Medical and Pension Funds		
Total	806 513	67 083
<i>During the 2010/2011 Financial year the CFO was engaged on 1 June 2011.</i>		
17. REMUNERATION OF BOARD MEMBERS		
Attendance fees at meetings:		
M C Mancini	94 354	91 998
T C Chetty	-	32 250
B N Linda	96 529	82 248
M H Gumede	-	15 000
D Naidoo	-	17 500
I Deetlefs	108 529	60 748
P M Mabaso	93 395	60 748
R Meer	99 440	57 748
S Z Gumede	13 644	-

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
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	2012	2011
	R	R
J Wiltshire	9 750	-
B Pityi	7 431	-
Total Board Members' Remuneration	523 072	418 240

18. REPAIRS AND MAINTENANCE

Computer equipment	1 731	-
Buildings	45 948	27 663
Furniture and equipment	19 728	-
Plant and equipment	38 590	-
	105 997	27 663

19. GENERAL EXPENSES

Included in general expenses is the following: -

Advertising	479 217	559 039
Audit Fees	702 294	219 610
Subscriptions	-	32 262
Bank charges	29 469	8 810
Entertainment	198 618	24 154
Consulting and professional fees	660 263	582 503
Board Expenses	-	75 185
Rental offices	219 784	-
Subsistence and Travel	322 550	406 327
Office Expenses	692 438	336 662
Telephone and Fax	-	163 904
Training	78 545	116 521
Marketing and communication	1 626 838	872 299
Accounting Services	-	83 802
Internal Audit Service	334 376	222 723
ICT Services	-	149 525
Office Rental	-	225 286
Building Maintenance	-	75 042
Other general expenses	404 073	371 468
	5 748 465	4 525 122

20. GRANT EXPENSES

Included in grant expenditure is the following:-

LED Projects	1 837 863	1 756 218
Industrial Development Strategy	-	3 000
Amacambini Development	-	198 255
Maphumulo Small Town Regeneration	-	1 794 353
Nonoti Beach Resort Business Plan	877 193	350 877
Siza Water Concession Monitoring	842 105	701 754
New Projects	-	51 350
Disaster Management	-	237 614
Integrated Craft Hub	87 057	5 484
Tourism	1 039 594	826 816
Container Project	212 850	-
Fresh Produce Market	633 290	-
Packhouse	203 895	-
Community and Development Support	40 008	-
Spatial Development Strategy	526 316	-
King Shaka Tourism Route	438 596	-
Agri Processing Grant	3 424 759	3 163 807
Biodiesel Grant	309 104	263 744
Vineyards Grant	1 636 579	2 507 874
Winery Grant	41 906	-
Moringa Grant	1 336 789	-
Broadband	-	93 573

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
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	2012 R	2011 R
	<u>13 487 904</u>	<u>11 954 719</u>
21. RECHARGES		
Salary recharges to agricultural projects	(1 216 558)	-
	<u>(1 216 558)</u>	<u>-</u>
22. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
22.1 Unauthorised expenditure		
Over expenditure on operating budget non cash item:		
Depreciation	953 849	-
	<u>953 849</u>	<u>-</u>
22.2 Fruitless and wasteful expenditure		
Interest paid to the South African Revenue Service for late payment of employees statutory deductions.	<u>37 071</u>	<u>-</u>
22.3 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	-	-
Irregular expenditure for the current year:		10 456 475
Three quotations not obtained no deviations	4 475 315	
No valid tax clearance certificates	62 205	
Awards to employees of the State	489 279	
Third party payment and payment to contractor after contract had expired.	5 850 683	
Competitive bidding process not followed. Contract of project management unit extended to ensure completion of LED projects.	16 115 515	
Service provider chosen by Province who did not follow SCM processes.	320 102	
Submitted to Board for consideration and condoned	(24 050 965)	(10 456 475)
Transfer to receivables for recovery - not condoned	<u>3 262 134</u>	<u>-</u>
Deviations were approved in terms of Section 34 of the Supply Chain Management Policy:		
Total Value	<u>1 077 465</u>	<u>13 625 815</u>
Total Number	<u>9</u>	<u>32</u>

Incident
<i>Irregular expenditure is as a result of non compliance with one or more of the Supply Chain Management Regulations or Supply Chain Management Policy requirements.</i>
Action
In the Board's opinion the expenditure is valid apart from the non compliance set out above. The irregular expenditure has been condoned by the Board.

23. CASH GENERATED BY OPERATIONS

Surplus for the year	9 163 942	11 236 359
Adjustment for: -		
Previous years operating transactions	(524 739)	74 717
Depreciation:Property,Plant and equipment	967 475	433 228
Contribution to leave provision	-	112 235
Gain on fair value of biological assets	371 400	-
Loss on disposal of property, plant and equipment	93 091	-

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
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	2012 R	2011 R
Investment income	(874 833)	(1 277 735)
Operating surplus before working capital changes:	9 196 336	10 578 804
(Increase)/Decrease in other debtors	211 450	1 063 367
(Decrease)/Increase in unspent conditional grants	(17 555 142)	9 694 090
(Decrease)/Increase in creditors	(2 112 610)	149 881
Decrease/(Increase) in VAT receivable	(202 015)	(1 065 178)
Cash generated by operations	(10 461 981)	20 420 964

24. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

Bank balances and cash	1 942 739	3 517 196
Current investments	-	22 167 237
Total cash and cash equivalents at the end of the year	1 942 739	25 684 432

The entity does not have overdraft facilities.

25. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

25.1 Contributions to organised local government

Opening balance	-	-
Council subscriptions	-	-
Amount paid - current year	-	-
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

25.2 Audit fees

Opening balance	-	-
Current year audit fee	326 821	219 610
Prior year audit fee	-	-
Amount paid - current year	(326 821)	(219 610)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

25.3 VAT

Vat received for the year	2 278 694	1 278 800
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VAT inputs receivable are shown in Note 3. All VAT returns have been submitted by the due date throughout the year.

25.4 PAYE and UIF

Opening balance	-	-
Current year payroll deductions	1 333 915	232 211
Amount paid - current year	(1 333 915)	(232 211)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

26. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and contracted for:	5 907 623	14 705 015
Community	5 907 623	14 705 015

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	2012 R	2011 R
- Approved but not yet contracted for:	-	8 461 947
Community	-	8 461 947
Total	5 907 623	23 166 962
This expenditure will be financed as follows:		
Grant funded	5 907 623	23 166 962
	5 907 623	23 166 962

27. CONTINGENT LIABILITIES

It has been established that the entity may be liable to pay SARS in respect of VAT on grants received from Ilembe District Municipality. Representations have been made to SARS to zero rate these grants and a response is awaited.

8 932 465	-
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28. CORRECTION OF PRIOR YEAR ERRORS AND CHANGE IN ACCOUNTING POLICY

28.1 Prior year adjustments

Prior Year Depreciation	893	(13 229)
Prior Year Accounts Receivable	(285 873)	-
Prior year rental understated	(36 572)	-
Prior year accruals	(202 294)	-
Transfer to Grant Expenditure	-	(3 560 709)
Other	-	74 715
	(523 846)	(3 499 223)

28.2 Reinstatement 2011 balances

PPE Agriculture - Note 4

Balance as at 30 June 2011	-	-
Restated balance as at 30 June 2011	-	9 511 083

Projects Under Construction - Note 4

Balance as at 30 June 2011	-	26 718 216
Restated balance as at 30 June 2011	-	6 073 412

Depreciation - Note 4

Balance as at 30 June 2011	-	82 761
Restated balance as at 30 June 2011	-	433 228

Grant expenditure - Note 20

Balance as at 30 June 2011	-	4 745 403
Restated balance as at 30 June 2011	-	11 954 719

29. RELATED PARTIES

Parent Municipality: Ilembe District Municipality.

Related party balances

Accounts owing to related party:		
Ilembe District Municipality	2 500 000	1 050 034
Accounts owing by related party:		
Ilembe District Municipality	74 425	224 143
Debtor	74 425	224 143
Trade Creditor	2 500 000	1 050 034
	(2 425 575)	(825 891)

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
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	2012 R	2011 R
Rental income paid to Enterprise Ilembe	211 248	219 784
Grant income paid to Enterprise Ilembe:		
Administration Grant	4 227 000	2 163 171
LED Grant	1 600 000	1 500 000
Tourism Grant	900 000	800 000
Siza Water Concession	1 409 612	1 200 000
	<u>8 136 612</u>	<u>5 663 171</u>

29. RELATED PARTIES (Continued)

Grant income paid via Ilembe District Municipality to Enterprise Ilembe:

Grant Agri Processing Ex DCGTA	-	11 000 000
Grant Broadband Project Ex DCGTA	-	2 500 000
Grant Biodiesel Production Facility Ex DGCTA	-	3 916 000
Grant North Coast Wine Project Ex DCGTA	-	9 000 000
Grant Fresh Produce Market	500 000	-
Grant Moringa Tree Plantations	-	3 500 000
Grant Nonoti Beach Resort	1 000 000	400 000
Grant Maphumulo Small Town Regeneration	-	700 000
	<u>1 500 000</u>	<u>31 016 000</u>

Payment to Board Member P M Mabaso for attendance at HR related meetings.

9 000	-
<u>9 000</u>	<u>-</u>

30. OPERATING LEASES

The future minimum lease payments payable under operating leases for the actual liability are as follows:

No later than 1 year	241 577	221 430
Later than 1 year and no later than 5 years	241 576	463 188
	<u>483 153</u>	<u>684 618</u>

The entity is both the lessee and lessor of an office property. The lease was negotiated for a term of five years and the rental is escalated annually.

31. TRANSFER OF AGRICULTURAL PROJECTS

The process of transferring the following agricultural assets presently disclosed as PPE Agriculture, Biological Assets and Projects Under Construction has begun:

Agri Processing Hubs	1 322 220	-
Bio Diesel	5 777 329	-
North Coast Vineyards	598 097	-
Winery	3 430 040	-
Moringa Plantations	1 689 280	-
	<u>12 816 966</u>	<u>-</u>

Special Purpose Vehicles (SPVs) will be established and the assets will be transferred into these SPVs.

In anticipation of the transfer of assets the following companies have been registered:

Rocabex (Pty) Ltd
Rocablox (Pty) Ltd
Rocabix (Pty) Ltd

Bank accounts have been opened in the names of the three companies.

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
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2012
R

2011
R

To date due to the assets having not been transferred to the SPVs the above companies have not traded apart from the proceeds from the sale of agricultural produce being deposited into the bank account of Rocabex (Pty) Ltd.

32. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

32.1 Interest Rate Analysis

Financial Assets:

External Investments:

Current Investments

Bank balances and cash

Interest earned external investments

Interest rate

Outstanding Debtors:

Other debtors

Interest earned on outstanding debtors

Interest rate

Financial Liabilities:

Long-term Liabilities:

Long-term Liabilities

Interest paid on long-term liabilities

Interest rate

32.2 Credit Risk

Receivables:

Other debtors

Ageing of consumer debtors:

Current

31-60 days

>60 days

Less: Provision for bad debts

Net Consumer Debtors

Movement Provision for bad debt:

Balance at beginning of year

Contributions

Bad debts written off

Balance at end of year

-	22 167 237
1 942 739	3 517 196
1 942 739	25 684 433
874 833	1 277 735
45.0%	5.0%
72 257	312 225
72 257	312 225
0.0%	0.0%
-	-
-	-
-	-
0.0%	0.0%
72 257	312 225
72 257	312 225
-	-
-	-
72 257	312 225
-	-
72 257	312 225
-	-
-	-
-	-
-	-

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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2012
R

2011
R

32.3 Liquidity Risk

Debt (Long term liabilities)	-	-
Equity (Net Assets)	24 010 122	14 998 626
Net Debt to Equity Ratio	0.0%	0.0%

33. SUBSEQUENT EVENTS

An agreement was entered into on 28 September 2012 between Enterprise Ilembe and Coation Trading 596 CC Trading as Romac Farm and Black Balance Projects (Pty) Ltd in respect of the traditional arrangements in relation to the operation of the Ilembe Agri-Hubs Project with effect from 1 October 2012.

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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34. STATEMENT OF CAMPARATIVE AND ACTUAL INFORMATION

Description	2011/12 Original Budget	Budget Adjustments	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	%	%
Financial Performance								
Rental income	220 000	-	220 000	211 248	-	(8 752)	96%	96%
Interest on investment	1 000 000	(44 677)	955 323	874 833	-	(80 490)	92%	87%
Government grants and subsidies	38 128 301	(2 717 984)	35 410 317	31 319 253	-	(4 091 064)	88%	82%
Sale of agricultural produce	-	-	-	181 598	-	181 598	100%	100%
Other income	-	3 016 000	3 016 000	2 349 808	-	(666 192)	78%	0%
Total Revenue (excluding capital transfers & contributions)	39 348 301	253 339	39 601 640	34 936 740	-	(4 664 900)	88%	89%
Employee related costs	3 950 000	1 404 000	5 354 000	6 063 352	709 352	709 352	113%	154%
Directors' fees	650 000	-	650 000	523 072	-	(126 928)	80%	80%
Depreciation	-	13 626	13 626	967 475	953 849	953 849	100%	100%
Repairs and Maintenance	150 000	-	150 000	105 997	-	(44 003)	71%	71%
General Expenses	5 047 000	1 659 323	6 706 323	5 748 465	-	(957 858)	86%	114%
Grant Expenses	6 017 982	1 000 000	7 017 982	13 487 904	-	6 469 922	192%	224%
Loss on disposal of assets	-	-	-	93 091	-	93 091	100%	100%
Less Charge outs	-	-	-	(1 216 558)	(1 216 558)	(1 216 558)	0%	0%
Total Expenditure	15 814 982	4 076 949	19 891 931	25 772 798	446 643	5 880 867	130%	163%
Surplus/(Deficit)	23 533 319	(3 823 610)	19 709 709	9 163 942	-	(10 545 767)	46%	39%
Capital : Transfers recognised	26 617 530	(2 905 000)	23 712 530	14 154 545	-	(9 557 985)	60%	53%
Capital : Transfers recognised from Operating	-	-	-	-	-	-	-	-
	26 617 530	(2 905 000)	23 712 530	14 154 545	-	(9 557 985)	60%	53%
Surplus/ (Deficit) after capital transfers & contributions	50 150 849	(6 728 610)	43 422 239	23 318 487	-	(20 103 752)	54%	46%

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
 UNAUDITED SUPPLEMENTARY APPENDIX A : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2012

	Opening Balance	Additions	Cost / Revaluation Disposals	Transfers	Closing Balance	Opening Balance	Additions	Accumulated Depreciation Disposals	Impairment loss/ Reversal of impairment loss/Transfers	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R
Improvements	27 159	-	-	22 595	49 754	-	1 634	-	722	2 356	47 398
PPE Agriculture	9 874 779	4 596 419	-	-	14 471 198	363 696	862 213	-	-	1 225 909	13 245 289
Biological Assets	-	1 038 400	-	-	1 038 400	-	-	-	-	-	1 038 400
Projects - Under construction	6 073 412	8 355 137	-	-	14 428 549	-	-	-	-	-	14 428 549
Furniture & Equipment	521 962	80 354	(135 114)	(3 869)	463 333	78 293	70 023	(42 023)	2 909	109 202	354 131
Computer Equipment	137 961	68 664	-	(28 815)	177 810	30 534	29 308	-	(7 510)	52 332	125 478
Intangible Assets	-	15 571	-	10 089	25 660	-	4 297	-	2 986	7 283	18 377
	16 635 273	14 154 545	(135 114)	-	30 654 704	472 523	967 475	(42 023)	(893)	1 397 082	29 257 622

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD

UNAUDITED SUPPLEMENTARY APPENDIX B : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2012

	Opening Balance	Additions	Cost / Revaluation Disposals	Transfers	Closing Balance	Opening Balance	Additions	Accumulated Depreciation Disposals	Impairment loss/ Reversal of impairment loss/Transfers	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R
Administration	687 082	164 589	(135 114)	-	716 557	108 827	105 262	(42 023)	(893)	171 173	545 384
PPE Agriculture	9 874 779	4 596 419	-	-	14 471 198	363 696	862 213	-	-	1 225 909	13 245 289
Biological Assets	-	1 038 400	-	-	1 038 400	-	-	-	-	-	1 038 400
Projects Under Construction	6 073 412	8 355 137	-	-	14 428 549	-	-	-	-	-	14 428 549
	16 635 273	14 154 545	(135 114)	-	30 654 704	472 523	967 475	(42 023)	(893)	1 397 082	29 257 622

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD

UNAUDITED SUPPLEMENTARY APPENDIX C: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

2011 Actual Revenue R	2011 Actual Expenditure R	2011 (Surplus)/ Deficit R		2012 Actual Revenue R	2012 Actual Expenditure R	2012 (Surplus)/ Deficit R
31 169 728	19 933 369	11 236 359	Administration	34 936 740	25 772 798	9 163 942
<u>31 169 728</u>	<u>19 933 369</u>	<u>11 236 359</u>	(Surplus) for the year	<u>34 936 740</u>	<u>25 772 798</u>	<u>9 163 942</u>

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
UNAUDITED SUPPLEMENTARY APPENDIX D(1): ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012

Description	2011/12 Original Budget	Budget Adjustments	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Variance %	Explanation of significant Variance greater than 10% versus Final Budget
	R	R	R	R	R	R	%	%		
Financial Performance										
Rental Income	220 000	-	220 000	211 248	-	(8 752)	96%	96%	-4%	
Interest on investment	1 000 000	(44 677)	955 323	874 833	-	(80 490)	92%	87%	-8%	
Grants and Subsidies	38 128 301	(2 717 984)	35 410 317	31 319 253	-	(4 091 064)	88%	82%	-12%	
Sale of agricultural produce	-	-	-	181 598	-	181 598	0%	0%	100%	
Other income	-	3 016 000	3 016 000	2 349 808	-	(666 192)	78%	0%	-22%	
Total Revenue (excluding capital transfers & contributions)	39 348 301	253 339	39 601 640	34 936 740		(4 664 900)	88%	89%	-12%	
Employee related costs	3 950 000	1 404 000	5 354 000	6 063 352	709 352	709 352	113%	154%	13%	
Directors Fees	650 000	-	650 000	523 072	-	(126 928)	80%	80%	-20%	
Depreciation	-	13 626	13 626	967 475	953 849	953 849	7100%	100%	7000%	
Repairs and Maintenance	150 000	-	150 000	105 997	-	(44 003)	71%	71%	-29%	
General Expenses	5 047 000	1 659 323	6 706 323	5 748 465	-	(957 858)	86%	114%	-14%	
Grant Expenses	6 017 982	1 000 000	7 017 982	13 487 904	-	6 469 922	192%	224%	92%	
Loss on disposal of assets	-	-	-	93 091	-	93 091	0%	0%	0%	
Less Charge outs	-	-	-	(1 216 558)	(1 216 558)	(1 216 558)	0%	0%	0%	
Total Expenditure	15 814 982	4 076 949	19 891 931	25 772 798	446 643	5 880 867	130%	163%	30%	
Surplus/(Deficit)	23 533 319	(3 823 610)	19 709 709	9 163 942	-	(10 545 767)	46%	39%	-54%	
Capital : Transfers recognised	26 617 530	(2 905 000)	23 712 530	14 154 545	-	(9 557 985)	60%	53%	-40%	
Capital : Transfers recognised from Operating	-	-	-	-	-	-	-	-	-	
Surplus/ (Deficit) after capital transfers & contributions	26 617 530	(2 905 000)	23 712 530	14 154 545	-	(9 557 985)	60%	53%	-40%	
Surplus/ (Deficit) after capital transfers & contributions	50 150 849	(6 728 610)	43 422 239	23 318 487	-	(20 103 752)	54%	46%	-46%	
Capital expenditure & funds sources										
Transfers recognised - capital	-	-	-	14 154 545	-	14 154 545	0%	0%	0%	
Transfers recognised - Operating	-	-	-	-	-	-	0%	0%	0%	
Transfers recognised - capital (from Equitable Share)	-	-	-	-	-	-	0%	0%	0%	
Public contributions & donations	-	-	-	-	-	-	0%	0%	0%	
Borrowing	-	-	-	-	-	-	0%	0%	0%	
Internally generated funds	-	-	-	-	-	-	0%	0%	0%	
Total sources of capital funds	-	-	-	14 154 545	-	14 154 545	0%	0%	0%	

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD

UNAUDITED SUPPLEMENTARY APPENDIX D(2): ACTUAL VERSUS BUDGET BY DEPARTMENT (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012

	Actual 2012	Budget 2012	Variance 2012	Variance 2012
	R	R	R	%
REVENUE				
Rental Income	211 248	220 000	(8 752)	-3.98%
Interest on investment	874 833	955 323	(80 490)	-8.43%
Government grants and subsidies	31 319 253	35 410 317	(4091 064)	-11.55%
Sale of agricultural produce	181 598	-	181 598	100.00%
Other income	2 349 808	3 016 000	(666 192)	-22.09%
Total Revenue	34 936 740	39 601 640	(4664 900)	
EXPENDITURE				
Organisational development	25 772 798	19 891 931	5 880 867	29.56%
Total Expenditure	25 772 798	19 891 931	5 880 867	
NET SURPLUS FOR THE YEAR	9 163 942	19 709 709	(10 545 767)	

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD

UNAUDITED SUPPLEMENTARY APPENDIX D(3): ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR

	2012 Actual R	2012 Budget R	2012 Variance R	2012 Variance %	Explanation of Significant Variances
Administration	164 589	500 000	(335 411)	-67%	
PPE Agriculture	4 596 419	8 356 510	(3 760 091)	-45%	
Biological Assets	1 038 400	-	1 038 400	100%	
Projects Under Construction	8 355 137	14 856 020	(6 500 883)	-44%	
	<hr/> 14 154 545	<hr/> 23 712 530	<hr/> (9 557 985)	<hr/> -40%	

ENDED 30 JUNE 2012

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
UNAUDITED SUPPLEMENTARY APPENDIX E - GRANTS AND SUBSIDIES RECEIVED - 2011/2012

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 56 OF 2003

Name of Grants	Unspent portion 2010/2011 financial statements	Adjustments and Transfers	Quarterly Receipts				Total Receipts	Quarterly Expenditure				Total Expenditure	Unspent portion 2011/2012 financial statements	Grants and Subsidies delayed / withheld	Reason for delay withholding of funds	Did your municipal entity comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
			July to Sept	Oct to Dec	Jan to Mar	April to June		July to Sept	Oct to Dec	Jan to Mar	April to June						
			1	2	3	4		1	2	3	4						
Agri Processing Ex DCGTA	5 354 927	-	-	-	-	-	-	-	-	-	5 354 927	5 354 927	-	NO	N/A	YES	N/A
Disaster Management	55 318	-	-	-	-	-	-	-	-	-	-	-	55 318	NO	N/A	YES	N/A
Broadband Project Ex DCGTA	2 369 200	(147 142)	-	-	-	-	-	2 222 058	-	-	-	2 222 058	-	NO	N/A	YES	N/A
Biodiesel Production Facility Ex DCGTA	2 184 800	-	-	-	-	-	-	-	-	-	2 184 800	2 184 800	-	NO	N/A	YES	N/A
North Coast Wine Project Ex DCGTA	8 441 655	(509 529)	-	-	-	-	-	-	1 687 459	-	3 471 947	5 159 406	2 772 720	NO	N/A	YES	N/A
Amacambini Dev Project Ex DCGTA	757 666	-	-	-	-	-	-	-	-	-	-	-	757 666	NO	N/A	YES	N/A
Integrated Craft Hub	321 664	(3 355)	-	-	-	-	-	-	87 057	-	-	87 057	231 252	NO	N/A	YES	N/A
Siza Water Concession	498 246	(117 895)	-	-	-	1 409 612	1 409 612	-	-	-	842 105	842 105	947 858	NO	N/A	YES	N/A
Maphumulo Small Town Rehabilitation	85 965	-	-	-	-	-	-	-	-	-	-	-	85 965	NO	N/A	YES	N/A
Nonoti Beach Resort Business Plan	49 123	(122 807)	-	1 000 000	-	-	1 000 000	-	-	877 193	-	877 193	49 123	NO	N/A	YES	N/A
Moringa Tree Plantation	3 461 946	(423 363)	-	-	-	-	-	-	-	-	3 026 067	3 026 067	12 516	NO	N/A	YES	N/A
Ilembe District Municipality - LED	-	-	-	1 600 000	-	-	1 600 000	-	-	-	1 600 000	1 600 000	-	NO	N/A	YES	N/A
Ilembe District Municipality - Tourism	-	-	-	900 000	-	-	900 000	-	-	900 000	-	900 000	-	NO	N/A	YES	N/A
Fresh Produce Market	-	(88 661)	-	-	500 000	-	500 000	-	-	-	133 290	133 290	278 049	NO	N/A	YES	N/A
RIDS Grant	-	-	-	-	-	200 000	200 000	-	-	-	-	-	200 000	NO	N/A	YES	N/A
Salaries Ex IDC	-	-	-	1 405 000	-	1 405 000	2 810 000	702 500	702 500	702 500	702 500	2 810 000	-	NO	N/A	YES	N/A
Projects Ex IDC	-	(119 748)	-	1 325 000	-	1 325 000	2 650 000	-	-	-	1 895 350	1 895 350	634 902	NO	N/A	YES	N/A
Ilembe DM Operating Grant	-	-	-	3 227 000	-	-	3 227 000	806 750	806 750	806 750	806 750	3 227 000	-	NO	N/A	YES	N/A
Ilembe DM Additional Grant	-	-	-	1 000 000	-	-	1 000 000	250 000	250 000	250 000	250 000	1 000 000	-	NO	N/A	YES	N/A
	23 580 510	(1 532 500)	-	10 457 000	500 000	4 339 612	15 296 612	3 981 308	3 533 766	3 536 443	20 267 736	31 319 253	6 025 368				

Unspent grants at 30 June 2011 - Note 2

23 580 510

Unspent grants at 30 June 2012 - Note 2

6 025 368